

the START UP CODE checklist



Congratulations!

Starting a business is such an exciting endeavor! It's important that you don't delay setting up your business early in the process. Ignoring the tax and "legal entity" side of your business is one of the biggest mistakes you can make as a new business owner, which often results in paying a large portion of your hard earned money in tax. Here is a checklist of items you need to review as you start your small business or "side hustle".

- **What entity is right for you?** It is really important that you make sure your LLC or entity is set up correctly. LLC's provide you legal protection; they do not save you taxes! I highly recommend that you set up an LLC when starting a new side hustle or small business. LLC's can be owned by a single person or partners. Make sure you have all the legal documents that are required to protect your personal assets.
- **What tax filings are required for your LLC?** Once you have set up your LLC you need to know what tax filings you are required to file. Some entity structures require different tax filings. For example: a partnership LLC requires a 1065 tax return to be filed each year, this tax return is due March 15th and is completely separate from your individual 1040 tax return that you file each year. If you have a single member LLC, generally this return will be filed on Sch C of your 1040. Ensure that you know what tax forms are required and the due dates for those tax forms.
- **What taxes are you now subject to as a self-employed individual?** Most new business owners are completely shocked by their tax liability in their first couple years of running their business. This is because they don't understand how self-employment taxes work. Each taxpayer that files a tax return is required to pay a portion of social security and medicare taxes, aka FICA taxes. As a W-2 employee your employer withholds this for you and even pays a portion of it for you. As a newly self-employed individual you now have to save this money and remit it to the IRS yourself. The percentage is about 15.3% of your net income. This tax is calculated on top of your individual income tax.
- **Will you now need to collect and remit sales taxes to your state?** Most businesses selling goods will need to pay sales taxes. Make sure you check with your state taxation board to see if you need to collect and remit sales and usage taxes.
- **Did you know that the IRS requires each individual to pay taxes quarterly?** Most people don't realize this because their employer is withholding taxes for them. As a self employed individual, you are now required by the IRS to pay quarterly estimated taxes. If you don't pay in your quarterly estimated taxes, you will owe penalties and interest when you do file and pay your taxes.
- **What income do you need to report on your tax forms?** The correct answer is, all of it! All of your income as a business owner needs to be reported to the IRS, including cash tips.

- ***What deductions are you entitled to as a business owner?*** There are so many deductions that your business is entitled to. The question that you need to ask yourself is: Is this expense ordinary and necessary for my business? If so, it is likely a deduction. There are several personal deductions that could qualify as business expenses, such as telephone, home office deduction, business mileage etc. You need to learn how all of these deductions apply to your business.
- ***You need to know how to pay yourself as a business owner.*** Unfortunately, any money you pay yourself from your business is not a deduction to your business, unless you are paying yourself through a consistent official payroll. Simply transferring money from your business bank account to your personal bank account is not a deduction. However, you aren't taxed on this money. You are taxed on your net income, not what you pay yourself from your business.
- ***You need to understand how important bookkeeping is to your business!*** Bookkeeping is the single most important thing you can do, in my opinion, to prepare for taxes and give you the peace of mind you need to run your business. Start by setting up separate bank accounts for your business. You need a checking and savings account. Make sure you aren't co mingling your personal spending with your business accounts. If you need money from your business account for personal spending, simply transfer it over to your personal bank account first, then spend the money.
- ***Is an "S Corp" right for you?*** So many accountants rush people into an "S Corp" without sitting down with their clients and hashing out the pros and cons of creating an "S Corp". There are several costs and tasks associated with having an "S Corp" some of those include payroll, required bookkeeping, separate filing requirements, etc. However, if done correctly, electing "S Corp" status can save you thousands in taxes. You just need to make sure the timing is right for your business. .
- ***How does tax strategy work?*** Tax strategy is preparing for and educating yourself on your tax liability. You should understand how each of your income streams are taxed, what deductions you are entitled to, and how you can minimize taxes. Once you understand this, then you can start strategizing to save taxes and build your financial wealth.
- ***Are you subscribing to what others tell you "wealth" is?*** As a business owner, it's easy to be caught up in the rat race of building wealth. You need to decide for yourself what wealth looks like to you.
- ***Are you stuck trying to decide what financial goals you need to make next to build your wealth?*** It is important that you understand what options are out there and how they affect you tax wise as you start to build financial wealth.
- ***Have you wondered what retirement options are available to you as a self-employed individual?*** There are so many different options to choose from, the IRA, SEP, Solo 401k and so many others that you can contribute to.
- ***Thinking about investing in real estate to build wealth?*** Real estate has many different nuanced tax laws surrounding it. Long term rentals, short term rentals and fix and flips are all taxed very differently. Make sure you understand what forms and deductions you can take while operating your real estate business.

I know what you are thinking... that's a lot to learn and worry about as a business owner! Luckily you don't have to learn it all on your own. **The Start Up Code** online course is here and it will give you the peace of mind you need to run your business and build your wealth in a tax "savi" way.

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